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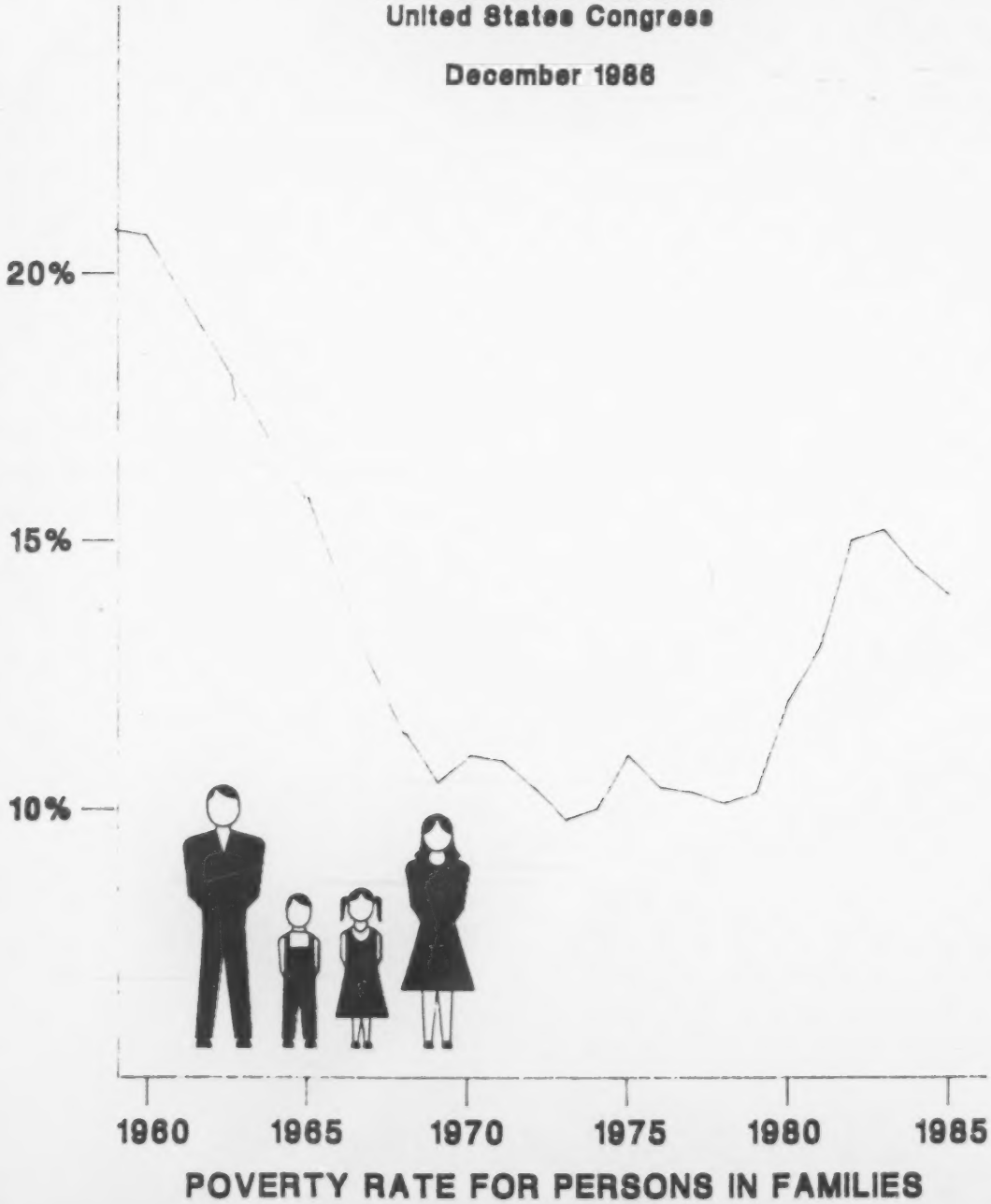
THE GROWTH IN POVERTY: 1979-1985

Economic and Demographic Factors

A Democratic Staff Study
Prepared For The
Joint Economic Committee
United States Congress

December 1986



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Following nearly two decades of success in the fight against poverty, official and unofficial rates of poverty began to rise noticeably in 1979, and then dramatically in 1982 and 1983. Although poverty rates have moved slightly downward since then, they still have not returned to anywhere near their 1979 levels despite recovery from recession and falling rates of inflation. At the same time, newspaper, magazine, and television accounts of teenage pregnancies, soaring illegitimacy ratios -- especially among inner-city blacks -- and rising numbers of single-parent families have all combined to heighten public awareness of the connection between changing family structure and poverty. These trends have led many to conclude that high post-1979 poverty rates "have nothing to do with economic policies" and everything to do with "deep cultural and demographic trends."*

Despite an increasingly widespread acceptance of this view, it is a very incomplete and misleading explanation of recent events. If anything, the case is the reverse. Poverty in the early 1970's was, indeed, increasingly confined to the elderly, handicapped, and single-parent families. Since 1979, poverty has greatly expanded among working-age, two-parent families. Therefore, the purpose of this study is to compare the effects of economic difficulties and changes in transfer payments with the effects of family decomposition on post-1979 increases in poverty. The study concludes that:

* Poverty in America: What The Data Reveal, Heritage Foundation Backgrounder No. 475, 1985.

* Although the increase in single-parent families is troubling for a variety of reasons -- not the least of which is its contribution to poverty -- changes in family composition have not been the primary cause of the increase in poverty since the late 1970's.

* The post-1979 increase in poverty has been largely the result of weak economic performance -- especially high levels of long-term unemployment and falling wages -- and changes in social welfare policy.

* The greatest increases in poverty during this period were for persons living in married-couple families. There are 3.13 million additional persons living in married-couple families in poverty and 2.19 million additional persons living in single-parent, female-headed families in poverty since 1979.

* Persons in married-couple households account for 44.9 percent of the increase in poverty since 1979. Persons in single-parent, female-headed families account for 31.5 percent of new poverty over the same period.

* For persons living in families, 54.4 percent of the increase in poverty after 1979 took place in families with both parents present, and 38.2 percent in families headed by a woman with no husband present.

* Given the sluggish nature of this recovery, poverty rates will fall very slowly, with little prospect for a rapid return to pre-1980 rates of 11.7 percent (1979) or 11.4

percent (1978). A recession or growth recession of any sizable duration will send poverty rates up very rapidly.

A word of caution is in order. Although the burden of this study will be to demonstrate that changes in family composition have not been the primary cause of increases in poverty since 1979, one should not conclude from this that questions of family composition are of no concern to policymakers. Quite the reverse is the case. However, it is important to avoid ascribing too much importance to one factor, thereby missing more immediate causes and remedies.

POVERTY AND DEMOGRAPHIC TRENDS

1959-1979

That family composition affects poverty is beyond question. In 1959, the poverty rate for persons in families with female householders was 49.4 percent; and the poverty rate for children 18 and under living in such families was an astounding 72.2 percent. In comparison, poverty rates for persons in male-present families (usually two-parent) stood at 18.7 percent, and the poverty rate for children in these same families stood at 22.4 percent. Clearly, the probability of living in poverty was greater if one lived in a female-headed, single-parent household. This remains true today.

Although far more people live in married-couple families than in single-parent families, the numbers and percentages of people

living in single-parent, female-headed households and in households with unrelated individuals (headed by individuals of either sex) have increased greatly in the two and a half decades that have followed. Therefore, it would have been reasonable to assume that rates of poverty also would have increased as these latter demographic groups grew both in absolute numbers and as a percentage of the population.

Yet, the opposite occurred due to substantial increases in economic growth, jobs, wages, and transfer payments. From 1959 to 1979, the official poverty rate fell from 22.4 percent to 11.7 percent. By 1979, the poverty rate for persons in female-headed families had declined from 49.4 to 34.9 percent, while the poverty rate for children in these families had fallen from 72.2 to 48.6 percent. At the same time, the poverty rate for unrelated persons in female-headed households dropped from 52.1 to 26.0 percent.

As one would expect, poverty rates fell even more for intact, two-parent households and male-headed households. By 1979, the combined poverty rate for persons living in these families had fallen to 6.3 percent and the poverty rate for related children in these families had similarly dropped to 8.5 percent. (In fact, they had reached even lower rates of 5.9 percent and 7.9 percent, respectively, the previous year.) In non-family, male-headed households, the poverty rate similarly fell to 16.9 percent.

TABLE 1

POVERTY RATE FOR PERSONS IN MALE-HEADED AND FEMALE-HEADED HOUSEHOLDS; 1959 AND 1979

Category	1959	1979
Poverty Rate for Persons in Female-Headed Households, No Husband Present	49.4%	34.9%
Related Children Under 18	72.2	48.6
Unrelated Individuals	52.1	26.0
Poverty Rate for Persons in All Other Families	18.7%	6.3%
Related Children Under 18	22.4	8.5
Unrelated Individuals	36.8	16.9

Source: Census Bureau, Current Population Reports P-60, No. 147.

If one includes noncash benefits, such as Food Stamps, medical care, and housing assistance, in measuring income, the improvement between 1959 and 1979 has been even more significant. In 1959, noncash benefits were small in number and very irregularly distributed. Yet, by 1970, the picture had changed. Means-tested cash assistance equaled $19.07 billion (in 1984 constant dollars), but means-tested, noncash benefits had grown to $21.2 billion. By 1975, cash assistance grew to a high of $34.5 billion, and noncash, means-tested benefits also rose, reaching $38.2 billion. After 1975, the constant dollar value of cash assistance stagnated and then declined, but the real value

of noncash, means-tested assistance continued to rise, totaling $51.8 billion by 1981. By 1984, means-tested cash assistance had slipped further to $28.8 billion, but the value of means-tested, noncash benefits fell only a bit in 1982 and then rose again in 1983. By 1984, noncash, means-tested assistance was worth $51.5 billion, nearly 79 percent greater than means-tested cash assistance. Since cash assistance was included in official income figures, but noncash benefits were not, the declining real dollar value of cash assistance to the non-aged contributed greatly to an increased official poverty rate. However, many in-kind benefits, such as Food Stamps, kept better pace with inflation, yet were not included in the official poverty rate figure. Therefore, the official rate does not give a complete story. Although there was some cyclical variation, poverty continued to fall in the 1970's, even though the official measure of poverty did not always record it. However, after 1979, by any measure, poverty increased significantly.

TABLE 2

MEANS-TESTED CASH ASSISTANCE, OUTLAYS ON FOOD STAMPS AND MEDICAL CARE PROGRAMS, AND ESTIMATED MARKET VALUE OF SCHOOL LUNCH AND HOUSING SUBSIDIES: 1970, 1975, AND 1979-1984
(Figures in Millions of 1984 Dollars)

Type of Benefit	1970	1975	1979	1980	1981	1982	1983	1984
Means-Tested cash assistance 1/	$19,070	$34,546	$33,130	$32,137	$30,710	$29,276	$28,775	$28,834
Means-Tested, Total	21,195	38,164	47,152	49,253	51,768	50,486	51,988	51,474
Food Stamps	1,475	8,468	9,284	10,954	12,129	10,987	11,595	10,677
Free and Reduced-Price School Lunches 2/	330	1,595	1,889	1,931	1,926	1,906	2,075	1,809
Public and Subsidized Housing 3/	4,389	4,370	5,987	5,679	5,256	5,398	5,448	5,692
Medicaid	15,001	23,732	29,991	30,689	32,457	32,195	32,871	33,296

1/ Includes Aid to Families with Dependent Children (AFDC), general assistance, Supplemental Security Income (SSI), and means-tested Veteran's pensions.
2/ Excludes commodities.
3/ Estimates for 1979 through 1984 were derived directly from the noncash valuation techniques used in Bureau of the Census, Technical Paper 55.

Source: Bureau of the Census, Technical Paper 55.

For a variety of reasons, there is no consensus on how best to measure the value of in-kind benefits to a recipient's income. To offer one example, a very poor and very sick person who receives $50,000 in medical benefits during a given year might, by one valuation technique, be counted as a member of the nation's highest income quintile. As a result, the Census Bureau continues to exclude in-kind benefits in the official poverty measure. Nevertheless, even extremely cautious measures of in-kind benefits show important gains since 1959, and important declines since 1979. For example, by 1979, the official poverty rate stood at 11.7 percent. Adding the market value of food and housing benefits to income reduced the poverty rate to 9.7 percent; including the market value of food, housing, and medical benefits (excluding institutional expenditures) reduced it further to 7.0 percent. Persons in married-couple families had official poverty rates of 6.1 percent, and even lower rates of 5.3 percent and 4.0 percent using the valuation techniques for noncash benefits described above. Similarly, for persons in families with a female head and no husband present, the official poverty rate stood at 34.9 percent, but that changed to 26.0 percent and 17.6 percent once in-kind benefits were added (see Table 3).

TABLE 3

POVERTY RATE OF PERSONS IN FAMILIES, BY TYPE
1979-1985

Year And Characteristic	Current Poverty Definition	Market Value -- Food And Housing Benefits Only	Market Value -- Food, Housing, And Medical Benefits, Excluding Institutional Expenditures
In Families, Total 1/			
1985	12.6	11.2	8.4
1984	13.1	11.6	9.0
1983	13.9	12.5	9.7
1982	13.6	12.0	9.4
1981	12.5	10.8	8.3
1980	11.5	9.6	7.1
1979	10.2	8.2	6.0
In Married-Couple Families			
1985	7.9	7.1	5.7
1984	8.3	7.6	6.1
1983	9.1	8.4	6.8
1982	8.9	8.0	6.5
1981	8.0	7.1	5.7
1980	7.2	6.2	4.8
1979	6.1	5.3	4.0
In Families With A Female Householder, No Husband Present			
1985	37.6	32.4	22.6
1984	38.4	32.8	24.3
1983	40.3	34.9	25.3
1982	40.6	34.9	25.8
1981	38.7	32.2	23.5
1980	36.7	29.7	20.1
1979	34.9	26.0	17.6

1/ Includes families with a male householder, no wife present, not shown separately.

Source: Census Bureau, Technical Paper 56

1979-1985

In each instance, a clear pattern emerges. The official poverty rate fell substantially for all family groups during the 1960's and more slowly and sluggishly after that. In the 1970's and 1980's, the economy slowed, the value of cash assistance declined, and demographic trends took their toll. Yet, once one included the value of in-kind benefits, poverty continued to fall, by virtue of the size of the transfers, until late in the decade. This was true for both persons in traditional two-parent families and persons in female-headed households in which no husband was present. However, after 1979, the income and poverty status of each of these groups became worse. In fact, the rate of increase in poverty was even greater if in-kind benefits were included in the measurement. Moreover, during most of this period, the rate of increase in poverty for persons in married-couple families was the most severe of any family type. Again, this was even more true when one included in-kind benefits in measuring the poverty rate, since married-couple families are the least eligible for many benefits, and the most dependent upon wages for their income.

For example, by 1979, the official poverty rate for persons in married-couple families was 6.1 percent, and an even smaller 5.3 percent and 4.0 percent using the two alternative measures discussed earlier. By 1983, the official poverty rate for persons in married-couple families had increased to 9.1 percent (a 49 percent increase) and alternative measures had increased their poverty rate to 8.4 percent and 6.8 percent, respectively.

However, by the end of 1985, three years into the recovery from the recession of 1982, the official poverty rate for persons in married-couple families was still 7.9 percent. Although an improvement over the preceding year, the married-couple poverty rate had not yet returned to the level of the 1980 recession trough, not to mention the 6.1 percent rate of 1979. Since most individuals live in married-couple families, these percentage increases have affected millions of people.

Family Composition And Poverty -- Post-1979

The pre-1979 and post-1979 poverty figures are especially significant when they are examined in light of changes in family composition (see Table 4). The successes for the period of 1959 to 1978-1979 took place during a period in which female-headed households rose at a very rapid rate, and female-headed households with children became a larger percentage of all families with children. Thus, while changes in family composition inhibited progress, it did not prevent it. Conversely, at the time when damaging changes in family composition slowed in 1980, poverty rates were rising significantly.

One can infer from the juxtaposition of these trends that family composition has not been the critical variable explaining high poverty rates in the 1980's, even though it clearly has had some effect.

TABLE 4

FAMILY HOUSEHOLDS WITH OWN CHILDREN
UNDER AGE 18, BY TYPE OF FAMILY
1970 TO 1984 1/

Family Type	1970	1975	1980	1981	1982	1983	1984
Family Households With Children (1,000)	28,731	29,944	31,022	31,227	31,012	30,818	31,046
Married Couple (1,000)	25,532	25,165	24,961	24,927	24,465	24,364	24,340
Male Householder, No Wife Present (1,000) 2/	341	478	616	666	679	737	799
Female Householder, No Husband Present (1,000) 2/	2,858	4,301	5,445	5,634	5,868	5,718	5,907
PERCENT DISTRIBUTION							
Family Households With Children	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Married Couple	88.9	84.0	80.5	79.8	78.9	79.1	78.4
Male Householder 2/	1.2	1.6	2.0	2.1	2.2	2.4	2.6
Female Householder 2/	9.9	14.4	17.6	18.0	18.9	18.6	19.0
Family Households With Children As A Percent Of All Family Households	55.8	53.9	52.1	51.8	50.8	50.2	50.1

1/ As of March, based on Current Population Survey which includes members of Armed Forces living off post or with families on post, but excludes other Armed Forces.
2/ No spouse present.

Source: U.S. Bureau of the Census, Current Population Reports, series P-20, No. 398, and earlier reports.

For example, from 1970 through 1979, the number of female family householders increased on average 7.4 percent per year, and the number of female-headed families with children increased by 11.1 percent per year. Yet, from 1980 to 1984, the rate of increase for these groups slowed substantially to 3.1 percent and 2.0 percent per year, respectively. In other words, the rate of poverty grew at a very rapid pace just as the deterioration in the two-parent family began to slow.

A closer look at the growth in poverty during the period from 1979 to 1983, and its modest decline in 1984 and 1985, highlights the fact that the greatest increases in poverty rates were for persons living in married-couple families. As Table 5 indicates, persons in married-couple families accounted for 38.6 percent of the poverty in 1979, while persons in female-headed households accounted for 36 percent of poverty in that year. The near parity of the two figures, despite the fact that the vast majority of persons live in married-couple families led people to discuss an impending "feminization" of poverty. As we have seen, this phenomenon was at least as much a result of the dramatic decline in poverty among married-couple families as the reverse, since the poverty rate had actually fallen among female-headed families (although the absolute numbers had increased substantially).

After 1979, however, a different trend developed. By 1982, persons in female-headed families actually declined as a percentage of persons in poverty, and persons in married-couple families increased to account for 43.1 percent of the poverty

population. Female-headed families then accounted for 34 percent of those in poverty. In other words, once the recession became severe, poverty grew most rapidly among those groups most dependent upon wages and least eligible for various types of public assistance -- i.e., married couples and their children.

TABLE 5

PERSONS IN FAMILIES AS A PERCENTAGE OF
PERSONS IN POVERTY, BY FAMILY TYPE, 1979-1985
(In Thousands)

Category	1979	1980	1981	1982	1983	1984	1985
Total in Poverty	26,072	29,272	31,822	34,398	35,515	33,700	33,064
Total in Families In Poverty	19,964	22,601	24,150	27,349	28,025	26,458	25,729
Percent of Persons In Poverty, Living In Families with Female Head, no Husband Present	36.1	34.6	34.7	34.0	34.1	35.1	35.1
Percent of Persons In Poverty, Living In Married-Couple Families	38.6	40.5	41.4	43.1	42.5	40.7	40.0

Source: Census Bureau, Technical Paper 56

Seen in another way, persons in married-couple families accounted for 53.3 percent of the increase in poverty from 1979 to 1983, and 76 percent of the decrease when GNP grew at a rapid pace -- 6.4 percent in real terms -- in 1984. Persons in female-headed households accounted for 28.6 percent of the increase in poverty from 1979 to 1983, and 14.9 percent of the decrease in poverty in 1984. At the end of 1985, well into the recovery,

persons in married-couple families still accounted for 44.9 percent of the increase in poverty since 1979 while persons in female-headed households accounted for 31.5 percent of the change.

Given the large percentage of new poor living in married-couple families, it is clear that family composition changes were not the central variable at work during this period. Mary Jo Bane's research on the effects of family composition on poverty reaches similar conclusions. Using the most cautious estimates, Bane concludes that, had family composition remained at 1979 levels, the poverty rate for 1982 would have been 14.8 percent instead of 15 percent. Yet, even here, Bane warns that these numbers assume that the incomes of poor, single-parent households would have been similar to average married-couple households had they been or remained intact. Yet, research in AFDC records indicates that most poor, single-parent families were poor before they became single-parent households, leading Bane to suggest that a great deal of poverty in single-parent households is simply "reshuffled" rather than newly created.

POVERTY AMONG SENIOR CITIZENS

Since poverty rates among senior citizens are less influenced by the ups and downs of the business cycle, senior citizen trends provide an interesting contrast. Unlike other sectors of the population, senior citizen poverty rates continued to decline throughout most of this period because earnings from employment comprise a far smaller portion of senior citizen income, and

public policy has made reducing poverty of the elderly a major priority. Accordingly, in 1959, the poverty rate for senior citizens stood at 35.2 percent. By 1973, it had dropped to 14.6 percent and then began to rise briefly as inflation whittled away at the value of savings and social security payments. Once Congress indexed social security against inflation and raised the value of Supplemental Security Income for similar reasons, the senior citizen poverty rate began to fall on a regular basis. Senior citizen poverty rose again to 15.7 percent in 1980, but fell every year after until 1985. By 1984, the poverty rate for persons 65 and over stood at 12.4 percent, nearly a 65 percent decrease since 1959, and 8.9 percentage points better than the poverty rate for children (21.3 percent). In 1985, the poverty rate for senior citizens inched up to 12.6 percent, while the rate for children came down slightly to 20.5 percent.

The reasons for this trend are not difficult to determine. The value of cash and noncash benefits going to senior citizens kept pace with inflation far better than means-tested benefits going to the working-age families and their dependents. Because senior citizens are the least affected of all groups by their position in the labor market, they are relatively well protected from high unemployment and long-term unemployment. Thus, their poverty rates went in precisely the opposite direction of the rest of the population in the early 1980's. As the following table indicates, even senior citizens with little or no social security, i.e., those largely dependent on SSI and Food Stamps,

remained fairly close to the poverty line and, moreover, did not lose ground during the 1980's.

TABLE 6

COMPARISON OF COMBINED BENEFITS TO POVERTY THRESHOLDS FOR ELIGIBLE COUPLES RECEIVING SSI; SSI AND SOCIAL SECURITY; AND SSI, SOCIAL SECURITY, AND FOOD STAMPS FOR SELECTED YEARS: 1975 TO 1985

Category	Calendar Year				
	1975	1980	1982	1984	1985
Poverty Threshold	3,232	4,954	5,840	6,280	6,510
Federal SSI Benefits:					
Dollars Per Year (in millions)	2,734	4,016	4,940	5,664	5,856
Percent of Poverty	84.6	81.1	84.6	90.2	90.0
Federal SSI and Social Security:					
Dollars Per Year (in millions)	2,974	4,256	5,180	5,904	6,096
Percent of Poverty	92.0	85.9	88.7	94.0	93.6
Federal SSI, Social Security, and Food Stamps: 1/					
Dollars Per Year (in millions)	3,430	4,906	5,792	6,393	6,528
Percent of Poverty	106.1	99.0	99.2	101.8	100.3

1/ In computing the Food Stamp benefit for 1975, average deductions among all elderly households are assumed. For later years, the applicable standard deduction plus average shelter and medical deductions among elderly households are assumed.

Source: Committee on Ways and Means; Congressional Research Service

In stark contrast, the cash benefits going to families with dependent children moved in the opposite direction (Table 7). Thus, a recent Congressional Research Service study indicates that cash welfare (largely directed to families with children) was able to push 9.5 percent of the pre-tax poor above the poverty line in 1979, but only 5.6 percent by 1984. Moreover, in nearly half of the states, non-aged families with a husband of working age present remained ineligible for AFDC payments.

WORK, WAGES, AND POVERTY

The emphasis on family composition as a determinant of poverty wrongly inclines us to ignore the effects of weak trends in employment and wages. To take an example, in 1983, a year in which the poverty rate reached a recent high of 15.3 percent, 7,641,000 family householders lived below the official poverty line. Of these, 54 percent were in the labor force; of those in the civilian labor force, 24.4 percent were unemployed; of those employed in the civilian labor force, 1,289,000 (34.2 percent) worked full time, yet their families remained in poverty. Over half of those who did not work full time did so involuntarily. In addition, almost 17 percent of family households in poverty had two workers. Simply, trends in employment and wages have a tremendous effect on poverty, despite the existence of a safety net.

TABLE 7

AVERAGE EXPENDITURES IN CONSTANT 1985 DOLLARS PER RECIPIENT (ENROLLEE) FOR OASI, UI, AFDC, EITC, AND SSI -- 1970, 1975, 1980, 1984, 1985
(In Millions of Dollars)

Program	Fiscal Year				
	1970	1975	1980	1984	1985
Social Security (OASI) (Annual)	3,375	4,315	4,486	5,190	5,228
Unemployment Insurance (UI), Regular Benefits (Weekly)	130	135	127	123	122
Aid to Families with Dependent Children (AFDC) (Annual Family Benefit)	6,023	5,168	4,355	4,010	4,056
Earned Income Tax Credit (EITC)	1/	412	379	295	N/A
Supplemental Security Income (SSI) 2/ (Annual)	1,895	2,475	2,302	2,5793/	2,527

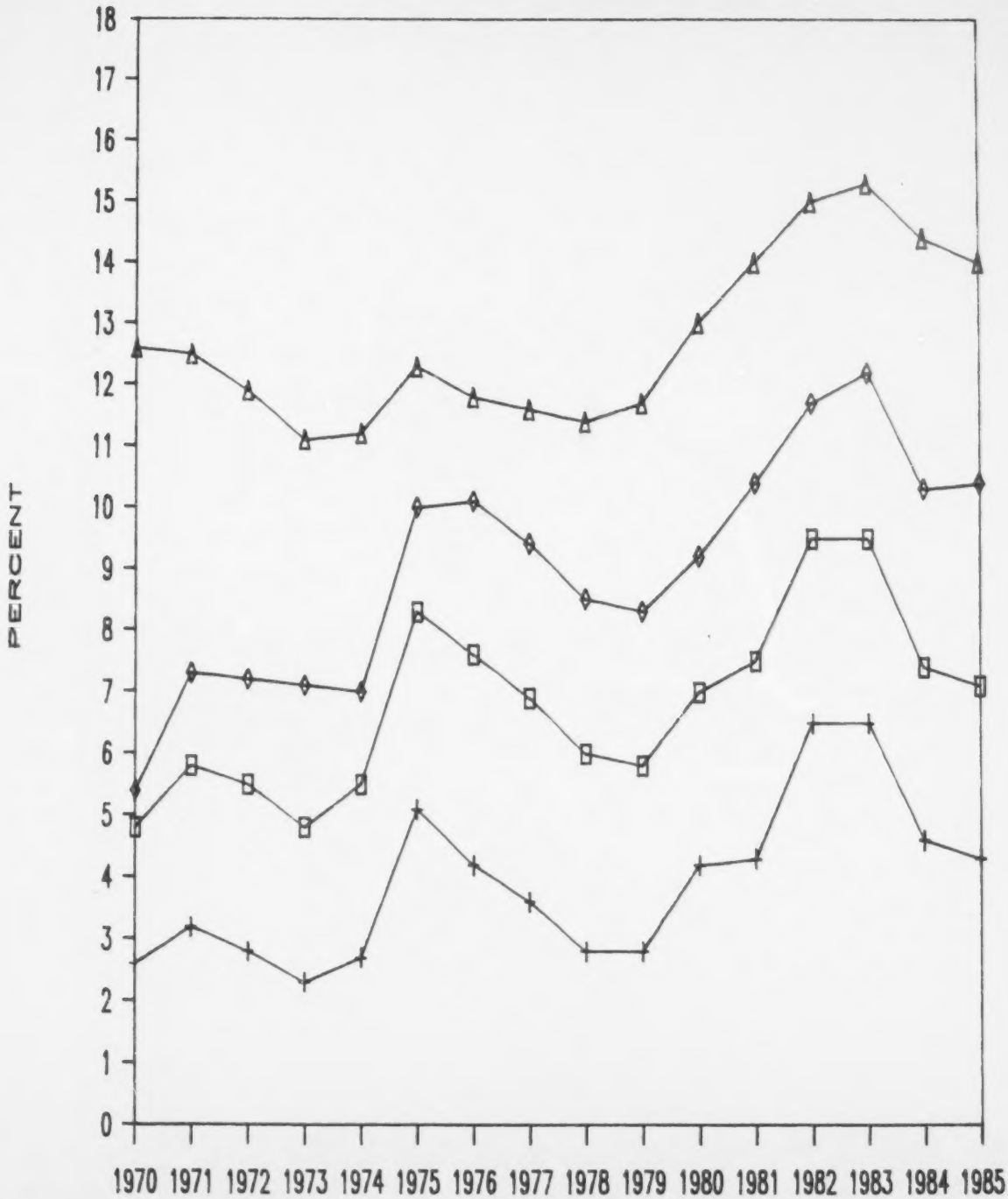
1/ No program or outlays less than $50,000,000.
2/ Adult cash welfare programs that preceded SSI.
3/ Adjusted to reflect 12 months of benefits instead of 11 months.

Source: Committee on Ways and Means

As the following graph illustrates, the poverty rate seems to rise and fall in lock step with the unemployment rate. While it is true that many who are in poverty do not and cannot participate in the labor force -- they are the elderly, children, handicapped, blind, or parents of very small children -- most family householders who are poor work. Simply, Their condition is greatly affected by changes in the economy.

Accordingly, when the GNP grew at a robust pace in 1984, the poverty rate came down. Yet, many were rightly disappointed by the rate of decrease in poverty for 1984 and blamed it on changes in family composition. However, placing undue emphasis on the demographic argument, whatever its merits and plausibility, leads us to ignore salient economic conditions during this recovery which inevitably would have raised poverty rates above pre-1979 norms -- specifically, unusually high unemployment rates, high levels of long-term unemployment, decaying wage levels, and falling levels of cash assistance for the non-aged poor.

UNEMPLOYMENT AND POVERTY



The comparison between this recovery and other recent recoveries is instructive. In the 1970-1971 downturn, unemployment peaked at 5.8 percent; unemployment for married men was 3.2 percent; and unemployment for women who maintained families was 7.3 percent. These figures were all higher during the recession of 1975, and more severe still in 1982-1983. During the brief downturn of 1980, unemployment peaked at 7.0 percent; married male unemployment peaked at 4.2 percent; and female head of household unemployment reached 9.2 percent. In comparison, in 1983, the overall unemployment rate reached 9.5 percent; married male unemployment reached 6.5 percent; and female family heads, 12.2 percent.

These figures offer us some perspective on unemployment and poverty when we examine the present recovery. After 12 quarters of growth, the unemployment rate for 1985 stood at 7.1 percent; married male unemployment remained at 4.3 percent; and female head of households still had an unemployment rate of 10.4 percent. If these figures represent close to the best unemployment levels of this recovery, they will have remained at levels in excess of the worst unemployment levels at the beginning of the decade, not far from the worst figures for 1975, and above the worst unemployment figures of the recession of 1980.

A similar pattern holds true for long-term unemployment. Even after robust GNP growth in 1984, the average duration of unemployed persons in that year was 18.2 weeks, as compared to 11.9, 15.8, and 12.0 during the worst periods of recent

recessions prior to the 1980's. In 1985, three years into a recovery, the mean duration of unemployment improved to only 15.6 weeks, again, figures we associate with recessionary periods.

The following graph of unemployment duration illustrates this pattern. The present recovery figures are similar to and sometimes worse than the worst recessionary figures from previous business cycles. Thus, if we were using unemployment data as a predictor of poverty rates, we would have expected poverty levels to remain above those of the 1970's; and they have.

Trends in wages also explain part of the poverty picture. Inflation-adjusted average weekly wages for production or nonsupervisory workers in nonagricultural industries fell throughout most of this period, dropping consistently until 1982, rising slightly in 1983 and 1984, and coming down again in 1985. In 1978, the average weekly earnings in the nonagricultural sector were $189.31 (in 1977 dollars). By 1982, they had fallen to $168.09 and, in 1985, returned to $171.60 in constant dollars.

The decay in the minimum wage in real dollar terms has been even more severe, since it has not remained at $3.35 an hour since 1981. In 1969, a person working 50 weeks, 40 hours per week could work at a minimum wage job and earn 109.4 percent of the poverty level for a family of three. By 1979, he or she could work the same amount of time at the minimum wage and earn 100.3 percent of the poverty level for a family of three. But, by 1985, a full-time minimum wage worker and his/her family could

fall well below the poverty line, earning only 78.2 percent of the poverty level for a family of three.

While most workers do not work at minimum wage jobs, these jobs remain important for young workers, and especially young female workers. Moreover, since AFDC and other forms of cash assistance are less available for working families than they were before 1981, the decay in the minimum wage affects the real family income of poor workers more seriously than it would have prior to this period. Minimum wages also influence the wages paid to other low-paid workers. Thus, in 1984, 21 percent of families with female householders who worked still found themselves living below the poverty line and, in 1985, the figure actually increased to 21.5 percent. In 1985, 11.1 percent of families with female householders living below the poverty line had a householder who worked full-time (50-52 weeks). Moreover, the incidence of "low-earnings" (i.e., wages which would not enable the householder and his or her family to live above the poverty line even if they worked 52 weeks a year) for family householders with children has grown steadily since 1973, and most rapidly since 1979. Only the sizable entry of both spouses into the labor market has kept the poverty rate from growing even larger.

DURATION OF UNEMPLOYMENT

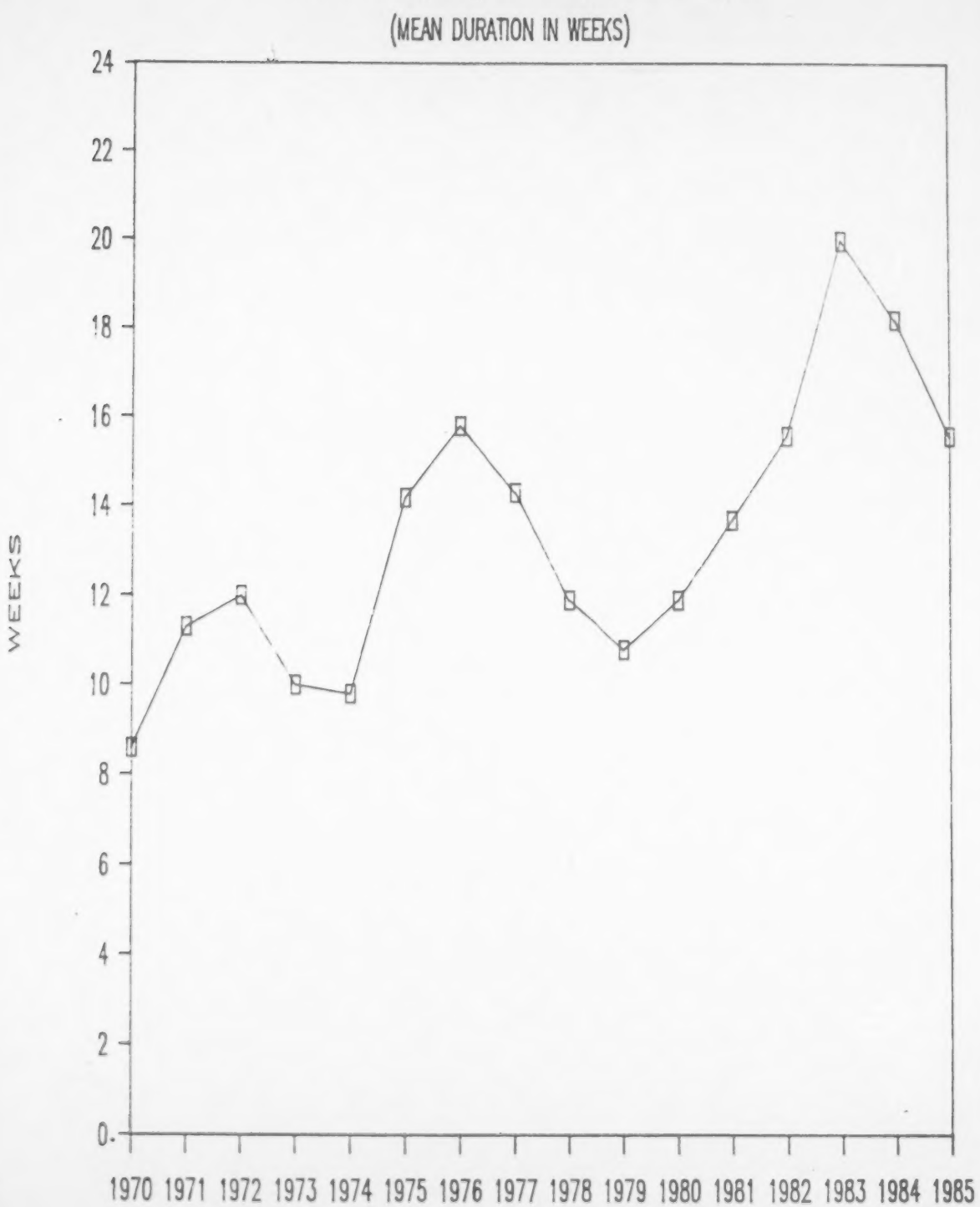


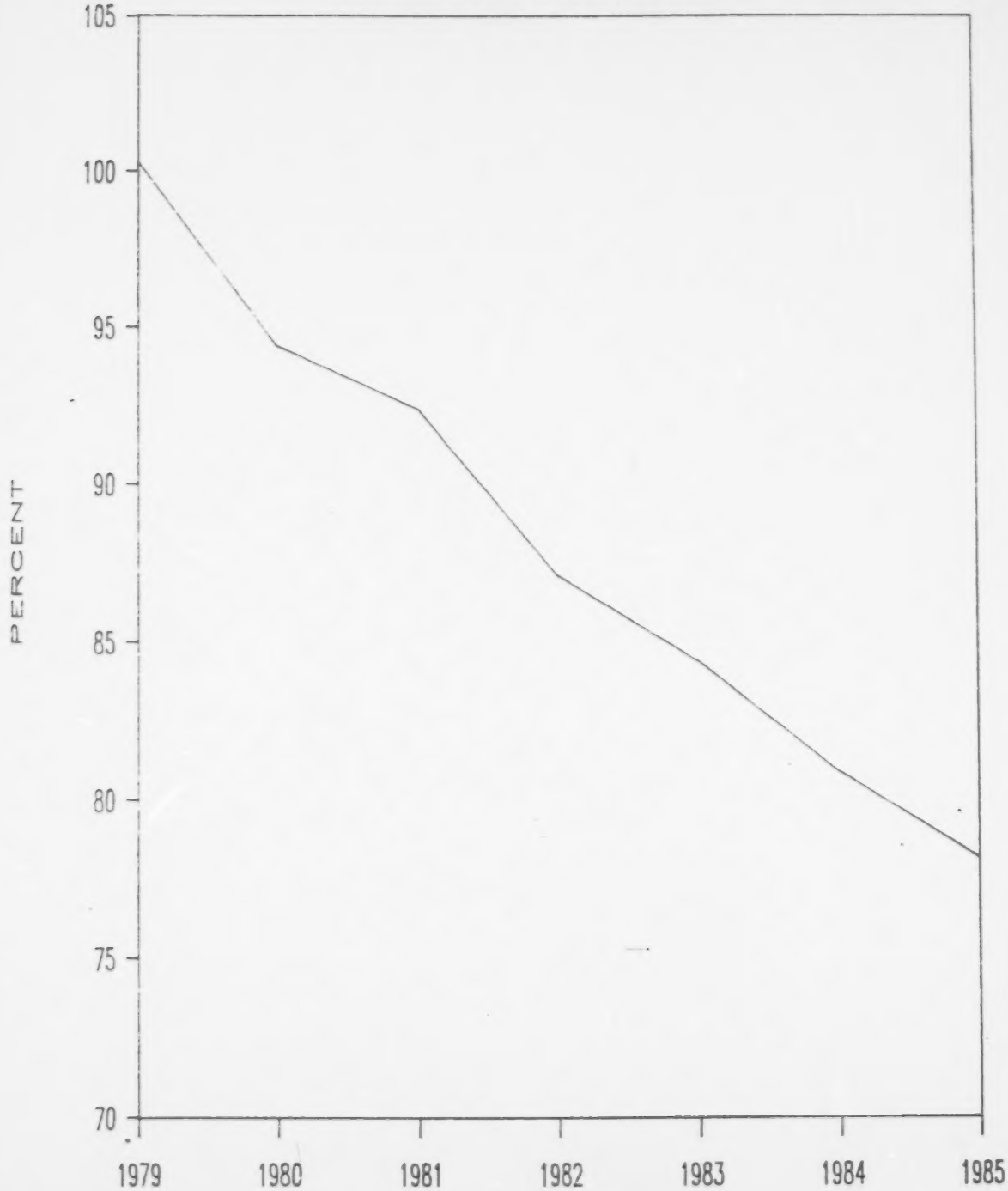
TABLE 8

MINIMUM WAGE AND POVERTY

Year	Hourly Minimum Wage	Annual Earnings For 2,000 Hours' Work (50 Weeks of 40 Hours)	Poverty Level (3 Persons)	Full-Time Minimum Wage Earnings As Percent of Poverty Level for Three
1964	$1.25	$2,500	$2,413	103.6%
1969	1.60	3,200	2,924	109.4
1974	2.00	4,000	3,936	101.6
1979	2.90	5,800	5,784	100.3
1980	3.10	6,200	6,565	94.4
1981	3.35	6,700	7,250	92.4
1982	3.35	6,700	7,693	87.1
1983	3.35	6,700	7,938	84.4
1984	3.35	6,700	8,277	30.9
1985	3.35	6,700	8,570	78.18

FULL TIME MINIMUM WAGE EARNINGS

AS PERCENT OF POVERTY LEVEL FOR THREE



AVERAGE WEEKLY EARNINGS

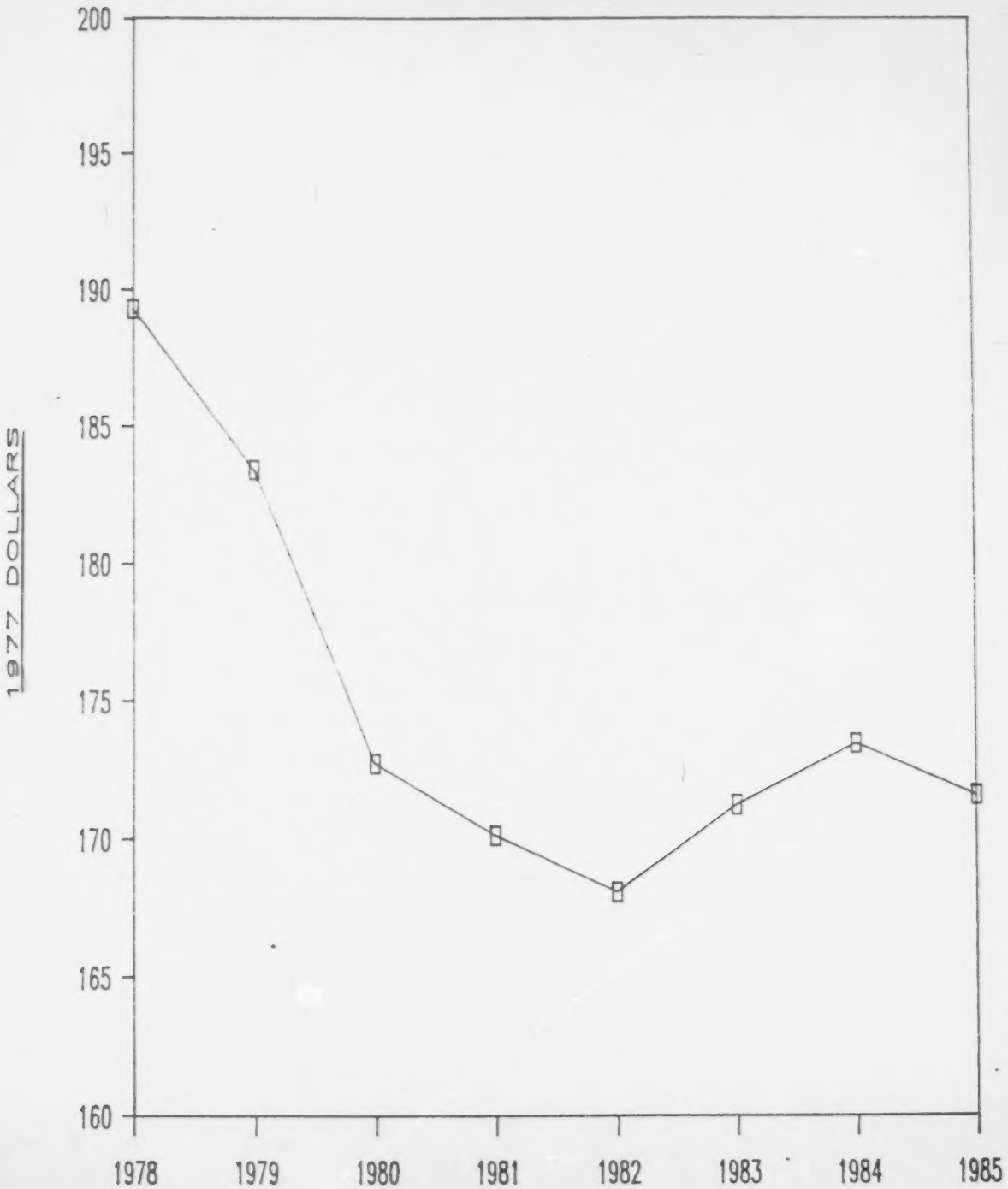


TABLE 9

INCIDENCE OF LOW WEEKLY EARNINGS OF HEADS OF FAMILIES WITH CHILDREN, 1/ 1967-1984

Heads Of:	1967	1973	1979	1984
All Families with Children	20.8%	21.5%	23.8%	29.9%
White	17.1	17.7	19.6	25.5
Black	48.3	45.6	46.9	51.5
Hispanic	n.a.	32.8	34.6	44.0
All Two-Parent Families With Children 2/	14.3	12.7	14.1	19.5
White	12.4	11.4	12.6	17.7
Black	32.1	24.5	26.6	32.8
Hispanic	n.a.	19.2	22.2	30.1
All Female-Headed Families with Children	71.1	68.9	61.9	65.5
White	68.4	63.8	56.7	61.4
Black	83.9	78.4	71.7	72.7
Hispanic	n.a.	81.6	75.4	79.8

1/ "Low earners" are family heads with weekly earnings below $204 per week in constant 1984 dollars. Such persons could not earn the poverty-line income for a family of four even if they worked 52 weeks a year at their current weekly wage.
2/ Husbands are classified as the heads of two-parent families.

Source: Sheldon Danziger and Peter Gottschalk, How Have Families with Children Been Faring?, Joint Economic Committee, November 1985.

CONCLUSIONS

Family composition changed significantly in the United States during the 1970's. Largely because of rising rates of divorce and some increase in illegitimacy rates (among teenage whites), the number of female-headed families increased (see Appendix). Moreover, sizable declines in the fertility rates of married couples greatly increased the percent of the nation's children being raised in single-parent families.

Most of the dramatic changes took place from the period of 1970 to 1980. Since then, we have seen a sizable drop in the rate of increase of single-family households.

As disturbing as these changes have been, however, they have not been the driving factor in the very large increases in poverty that we have experienced since 1979. Economic factors and changes in public policy have been the underlying reasons. High rates of unemployment and underemployment, weaker earnings, and smaller amounts and tighter eligibility standards for cash assistance to the non-aged have all led to higher rates of poverty than those of the 1970's.

Policymakers concerned with reducing poverty will need to address these factors if they hope to make serious progress against a problem that is more severe today than it was a decade ago.

APPENDIX

Although this study demonstrates that economic trends and public policy are the primary causes of the higher rates of poverty in the 1980's, it is true beyond question that changing family structure poses problems and challenges for the future. Therefore, it is important to understand these trends correctly.

Because of increased media attention to the problem of teenage pregnancy, many equate the rise in single-parent families with increases in teenage pregnancy, especially among blacks. This impression is wrong for a number of reasons:

* First, the single largest reason for increases in the number of single-parent families is the increase in divorce rates and other forms of marital dissolution, such as separation, not illegitimacy.

* Second, the black illegitimacy rate actually declined in the 1970's and 1980's, even among teenagers. In fact, black illegitimacy problems peaked by 1961, and increased most dramatically from 1940 to 1960.

* Third, illegitimacy <u>ratios</u> (i.e., children born out of wedlock as a percentage of all children born) have increased -- leaving people with the impression that illegitimacy has increased in similar ways. However, the rising illegitimacy <u>ratios</u> are primarily a consequence of falling birth rates

among married couples of all races, rather than rising rates of out-of-wedlock births.

Divorce

In 1970, the divorce rate per 1,000 population was 3.5; by 1980, it was 5.2, dropping in 1984 to 4.9. From 1970 to 1984, the divorce rate increased 40 percent .

In 1970, divorce and other forms of marital dissolution accounted for 3,695,000 families with single-parent heads of households. By 1984, the number had grown to 7,124,000.

In contrast, in 1970, "never-married" heads of households accounted for 270,000 of single-parent households. This figure, however, is probably very understated because the Census Bureau had not yet developed accurate procedures for determining female single parents living in related subfamilies. During that earlier period, if a single mother and her child lived with the mother's parents, her father was probably coded as the head of household, and the child's mother was coded as a dependent. This makes time series analysis of the growth of single-parent households very difficult.

In any case, by 1984, the number of "never-married" female and male heads of family households had increased by 2,268,000.

Despite the substantial statistical increase in "never-married" heads of households, divorce, separation, and spousal

absence accounted for 3.14 times as many single-parent family households in 1984 as did illegitimacy.

TABLE A-1

SINGLE-PARENT HEADS OF FAMILY HOUSEHOLDS

BY TYPE (1,000)

Type	1970	1984
Divorced, Separated, Absent Spouse	3,695	7,124
Never Married	270	2,268

Source: Statistical Abstract of the United States, 1985

Illegitimacy Rates and Ratios

It is now well known that illegitimacy ratios -- the proportion of births that are illegitimate -- have been rising, especially among blacks. This has led many to conclude that illegitimacy has been rising at an unprecedented rate.

In fact, illegitimacy has been declining among blacks and other minorities for almost two decades. Among whites, although much smaller, the trends have been mixed with declines in some age groups and increases in others, most notably teenagers.

Nevertheless, trends for illegitimacy ratios have all gone in the same direction -- up. The discrepancy is due to the different phenomenon that each figure measures, and these differences may influence how we approach the problem.

Illegitimacy ratios measure the proportion of all births in a given group that are illegitimate. Therefore, a rising illegitimacy ratio may mean that non-marital fertility has increased or that marital fertility has decreased, or both.

Illegitimacy rates, on the other hand, measure the percentage of all unmarried women in a given group that give birth in that year. Expressed in another way, illegitimacy rates decribe the probability of an unmarried woman giving birth.

Thus, it is possible for illegitimacy ratios to rise even as illegitimacy rates are declining. This is the case for blacks, and also for whites of many age groups. For example, in 1961, the illegitimacy rate for blacks and other nonwhite minorities was 101.0 (per 1,000 unmarried women) for ages 15-44. By 1981, the figure had dropped to 75.1. One would assume that illegitimacy ratios would have fallen as well, but just the opposite has been the case. During the same time period, illegitimacy ratios for the same group rose from 223.4 to 485.1.

The reason, of course, was that the birth rate among married couples had fallen tremendously in minority communities, as well as in non-minority communities, leaving illegitimate children as a larger percent of all children born.

In all instances, falling martial fertility rates rather than rising non-marital fertility rates have been the primary reason for the increases in illegitimacy <u>ratios</u>.

TABLE A-2

BIRTH RATE FOR SELECTED YEARS
1960-1983

Category	1960	1965	1970	1975	1980	1983
Birth Rate Per 1,000 Women	118.0	96.6	87.9	66.0	68.4	65.8
White	113.2	91.4	84.1	62.5	64.7	62.4
Black and Other	153.6	131.9	113.0	87.7	88.6	83.2
Black	153.5	133.2	115.4	87.9	88.1	81.7

Source: Statistical Abstract of the United States, 1985

TABLE A-3

FERTILITY RATES AND RATIOS BY RACE AND AGE
1960-1980

Age Group And Year	Fertility Rate		Marital Fertility Rate		Nonmarital Fertility Rate		Illegitimacy Ratio	
	Black And Other	White	Black And Other	White	Black And Other	White	Black And Other	White
15-19								
1960	158.2	79.4	659.3	513.0	76.5	6.6	421.5	71.6
1970	133.4	57.4	522.4	431.8	90.8	10.9	613.5	171.0
1980	94.6	44.7	344.0	337.6	83.0	16.0	851.5	329.8
20-24								
1960	294.2	194.9	361.8	352.5	166.5	18.2	199.6	21.9
1970	196.8	145.9	267.6	244.0	120.9	22.5	295.0	51.8
1980	145.0	112.4	232.8	198.2	108.2	22.6	560.2	114.9
25-29								
1960	214.6	252.8	225.0	220.5	171.8	18.2	141.3	11.4
1970	140.1	163.4	159.3	164.9	93.7	21.1	180.6	20.7
1980	115.5	109.5	149.7	148.4	79.1	17.3	361.7	50.2

Source: William Julius Wilson and Kathryn Neckerman: "Poverty and Family Structure," paper prepared for Conference on Poverty and Policy; U.S. Department of Health and Human Services, February 1985. Figures in this table are listed as "Black and Other" because data for blacks alone did not exist prior to 1969. However, the trends are the same given the statistical significance of blacks in this category.

As a society, these figures present us with a dilemma. A larger and larger share of our nation's children are being born out of wedlock, and spending a portion of their youth in poor, single-parent families. This has been documented many times elsewhere, and need not be repeated here. However, it is instructive to realize that, in many instances, there has been genuine progress in reducing the out-of-wedlock birth rate, especially among blacks, even as the proportion of children born

out of wedlock has increased. Further improvements in reducing illegitimacy rates among both races will not increase the number of children born to married-couple families, regardless of race. Simply, even if we are successful in reducing illegitimacy further, there is no guarantee that an increasing percent of our nation's children will not find themselves in poor, single-parent families, and thus in circumstances which will make it more difficult for them to develop the skills necessary to become productive members of our society.